

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. E-01933A-10-0266
TUCSON ELECTRIC POWER COMPANY FOR)	
APPROVAL OF ITS 2011 RENEWABLE)	TUCSON ELECTRIC POWER
ENERGY STANDARD IMPLEMENTATION)	COMPANY'S EXCEPTIONS TO
PLAN)	THE RECOMMENDED ORDER

Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby files its exceptions to the proposed Recommended Order submitted by the Staff of the Arizona Corporation Commission ("Commission") in this docket. TEP also has provided language for proposed amendments to address its exceptions.

TEP concurs with the vast majority of the Recommended Order. Indeed, the Recommended Order would approve the bulk of TEP's 2011 Renewable Energy Standard Tariff ("REST") Implementation Plan ("Plan"). However, the Company requests two amendments that will: (i) facilitate its innovative Bright Tucson Solar Buildout Plan and (ii) provide necessary administrative funding to ensure that the Company's expanding renewable programs continue to operate effectively.

I. CHANGES TO TEP'S PROPOSED RECOVERY OF THE BUILDOUT PLAN.

In its Implementation Plan, TEP requested approval of its Bright Tucson Solar Buildout Plan ("Buildout Plan") in four-year increments. These four-year periods were designed to provide the Company with defined periods of certainty during which planning and budgeting could move forward. The Company believes that a four-year period is necessary to accommodate the twenty-four months of lead time that it takes to develop a utility-scale project with some buffer to allow unforeseen circumstances to be addressed. Moreover, a four-year approval poses no risk to ratepayers as a prudency review would still have to occur during the Company's next rate case.

1 However, in the Recommended Order, Commission Staff recommends approval of
2 Buildout Plan investments in one-year increments. Finding of Fact No. 24. Although
3 Commission Staff notes that a one-year period provides sufficient opportunity to gauge success
4 and make adjustments, this does not align with the Company's annual budgeting and planning
5 process. TEP's annual budgeting process occurs more than a year prior to REST Implementation
6 Plan approval. Planning and budgeting for 2011 took place in late 2009 and is just now receiving
7 approval. The proposed one-year time period is insufficient to accommodate this process.

8 TEP believes that the four-year period originally proposed in the 2011 Plan remains
9 appropriate, given the other protections in place. See Finding of Fact No. 25. Even with a four-
10 year approval, the Company would still file updates on the status of Buildout Plan projects each
11 year in its annual REST filing. Moreover, a four-year approval would be more consistent with the
12 Commission's order regarding APS' Sun Program in Decision No. 71502 (March 17, 2010), and
13 UNS Electric's Bright Arizona Solar Buildout Plan in Decision No. 71914 (September 30, 2010).
14 However, if the Commission believes that a shorter period is appropriate, the Company would
15 request a two-year period for Buildout Plan approval. TEP believes that a two-year period would
16 provide the absolute minimum time necessary to properly plan and budget, while also providing
17 enough financial certainty for the utility-scale development process. Additionally, TEP believes
18 that this approval should be added to the ordering paragraphs of the final decision.

19 **II. CHANGES TO TEP'S PROPOSED BUDGETS.**

20 In the Recommended Order, Commission Staff proposes to reduce TEP's overall REST
21 budget by \$1.7 million. Finding of Fact 34. However, these reductions will adversely affect
22 effective administration of TEP's expanding renewable programs. First, Staff recommends
23 deleting \$221,000 from TEP's Purchased Renewable Energy budget. Finding of Fact 35.
24 Removing this amount places staffing levels below TEP's operating threshold as all remaining
25 funds would be needed to manage the twelve utility-scale projects currently under contract. It also
26 makes it impossible for the Company to utilize the independent monitoring services required by
27 the Resource Planning Rules (see R14-2-705) in issuing requests for proposals. TEP requests the

1 full funding to be able to continue expansion of the Purchased Renewable Energy resources.
2 Alternatively, TEP must be provided an additional \$40,000 designated for Independent Monitoring
3 services because at least two requests for proposals are planned for 2011. TEP strives to be a good
4 steward of REST funds and believes that no cuts to the REST budget are necessary. However, if
5 cuts must be made, TEP requests that no more than \$181,000 be deleted from this budget.

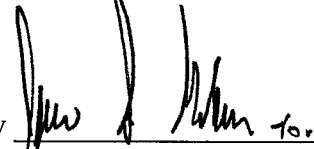
6 Second, Staff recommends deleting \$175,000 from the Company's Information Systems
7 budget. Finding of Fact 35. However, improvements to TEP's information systems are critical to
8 successful renewable programs moving forward. The Company's REST programs continue to
9 grow; as these programs grow, so do reporting and tracking requirements. The Company's
10 information systems budget includes funds to: improve the Company's billing system for customer
11 convenience and incentive management; and improve work management and geospatial systems
12 for operations efficiency, safety, and reliability. The Company recognizes and appreciates Staff's
13 concern over rising budgets, but reducing the Company's ability to procure and implement
14 integrated IT solutions in a timely manner will ultimately result in reduced and inefficient system
15 tracking, as well as slowdowns in program implementation. TEP urges the Commission to allow
16 the Company to continue to invest in the solutions necessary to accommodate REST
17 implementation.

18 **III. CONCLUSION.**

19 TEP supports the vast majority of Staff's Recommended Order and appreciates the
20 cooperation displayed by Staff during review of the Company's REST Plan. However, TEP
21 requests that the Commission provide a four-year planning and procurement time frame for its
22 Bright Tucson Solar Buildout Plan. TEP also requests that the Commission reject Staff's proposed
23 reductions to the Company's Purchased Renewable Energy and Information Systems budgets.
24 TEP believes its budget is prudent and necessary to full REST implementation and requests that
25 the Commission adopt its 2011 REST budget as proposed.

1 RESPECTFULLY SUBMITTED this 19th day of November, 2010.

2 TUCSON ELECTRIC POWER COMPANY

3
4 By  for _____

5 Michael W. Patten
6 Hoshka DeWulf & Patten, PLC
7 One Arizona Center
8 400 East Van Buren Street, Suite 800
9 Phoenix, Arizona 85004

10 and

11 Philip J. Dion, Esq.
12 Melody Gilkey, Esq.
13 Tucson Electric Power Company
14 One S. Church Avenue, Suite 200
15 Tucson, Arizona 85701

16 Original and 13 copies of the foregoing
17 filed this 19th day of November, 2010 with:

18 Docket Control
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22 Copies of the foregoing hand-delivered/mailed
23 this 19th day of November 2010 to the following:

24 Lyn Farmer
25 Chief Administrative Law Judge
26 Hearing Division
27 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007

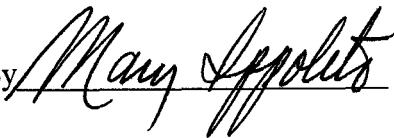
 Janice M. Alward, Esq.
 Legal Division
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007

1 Steve Olea
2 Utilities Division
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007

6 C. Webb Crockett
7 Patrick J. Black
8 FENNEMORE CRAIG, PC
9 3003 North Central Avenue, Suite 2600
10 Phoenix, Arizona 85012-2913

11 Court Rich
12 M. Ryan Hurley
13 Rose Law Group pc
14 6613 North Scottsdale Road, Suite 200
15 Scottsdale, Arizona 85250

16 Scott S. Wakefield
17 Ridenour, Hienton & Lewis PLLC
18 201 North Central Avenue, Suite 3300
19 Phoenix, Arizona 85004

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By 

1 **Tucson Electric Power Company's Proposed Amendment No. 1**

2 **Modifying Finding of Fact No. 24 Regarding**
3 **Tucson Electric's Bright Tucson Solar Buildout Plan.**

4 **DELETE:**

5 The third sentence beginning on page 6 at line 13 (starting "Staff believes that it is reasonable
6 to...") and ending on Page 6, line 16.

7 **INSERT:**

8 At page 6, line 13:

9 "We believes that it is reasonable to approve TEP's proposal for four years of the buildout plan."
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2 **Tucson Electric Power Company's Proposed Amendment No. 2**

3 **Modifying Finding of Fact No. 35 Regarding**
4 **Tucson Electric's 2011 REST Plan Budget.**

5 **INSERT at Page 9, line 24:**

6
7 "36. Although Staff's proposed 2011 REST budget includes a reduction of \$221,000
8 from TEP's Purchased Renewable Energy budget and a reduction of \$175,000 from the
9 Company's Information Systems budget, we believe TEP's 2011 REST budget should include
10 those funds in order to avoid any adverse effect on the administration and monitoring of TEP's
11 expanding renewable programs."

12 Renumber remaining paragraphs.

13 Make conforming changes.
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